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## Russian Federation

### Agricultural Situation

### Grain and Grain Products Prices Update

**2004**

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**Report Highlights:**

Grain prices increased rapidly in January and February 2004 further widening the gap between food and feed quality wheat. Post believes, per preliminary data that prices continued to grow during March, but at slower pace due to interventions, export tariffs, and administrative measures aimed at curbing bread prices.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Moscow [RS1]  
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## Grain Prices

According to Table 1, grain prices in all regions increased in January and February 2004. The price of milling quality wheat was eighteen percent higher in February than in December 2003 in the Central Black Earth Economic Region, twenty-five percent higher in the Volga Valley Economic District, almost thirty percent higher in the Urals, and more than thirty-four percent higher in the Western Siberia Economic Region.

The price growth of feed quality wheat was even higher than food quality wheat. In the Central Black Earth Economic Region, the price in February 2004 was 36 percent higher than in December, in the Volga Valley and the West Siberian Economic Region the price was 46 percent higher, and in the Northern Caucasus the price was 39 percent higher. The price increase of rye varied from 27 percent in the Central Black Earth Economic Region to over 38 percent in the Volga Valley Economic Region. Fodder barley prices remained relatively low until February, but then jumped by 30 percent in the North Caucasus, 39 percent in the Central Black Earth, 41 percent in the Ural Economic Region, and 79 percent in the Volga Valley Economic District. However, the price of feed barley is still lower than the price of feed quality wheat.

Post does not have March data, but according to preliminary information, the rate of price increase slowed due to decreased demand from the poultry and livestock industry. Meat producers preferred to slaughter their stock rather than purchase extremely expensive feeds.

**Table 1. Average Regional Offer Prices for Grains**

	2003								2004			
	September 22		October 6		November 11		December 8		January 16		February 20	
	Rubles	USD	Rubles	USD	Rubles	USD	Rubles	USD	Rubles	USD	Rubles	USD
Milling Quality Wheat												
Central Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	5567	192.8	6533	229.2
Central Black Earth Economic Region	4500	147.3	4500	147.7	4950	165.9	5350	181.0	5664	196.1	6319	221.7
Volga Valley Economic Region	4450	145.6	4450	146.0	4700	157.6	5100	172.6	5625	194.8	6350	222.8
North Caucasus Economic Region	4400	144.0	4600	151.0	5050	169.3	5450	184.4	5792	200.6	6300	221.1
Ural Economic Region	4000	130.9	4000	131.3	4350	145.8	4800	162.4	5070	175.6	6225	218.4
West Siberia Economic Region	3900	127.6	3950	129.6	4300	144.2	4750	160.7	5317	184.1	6385	224.0
Feed Quality Wheat												
Central Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	4917	170.3	6183	216.9
Central Black Earth Economic Region	3650	119.4	3650	119.8	3950	132.4	4350	147.2	4622	160.0	5900	207.0
Volga Valley Economic Region	3250	106.3	3250	106.7	3650	122.4	4100	138.7	4700	162.7	5988	210.1
North Caucasus Economic Region	3800	124.3	3800	124.7	-	-	4350	147.2	4550	157.5	6067	212.9
Ural Economic Region	3150	103.1	3150	103.4	3350	112.3	3950	133.7	4433	153.5	5763	202.2
West Siberia Economic	NA	NA	NA	NA	NA	NA	NA	NA	5200	180.1	6000	210.5

Region												
Rye												
Central Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	5133	177.7	5733	201.2
Central Black Earth Economic Region	2550	83.4	2850	93.5	4000	134.1	4450	150.6	4833	167.3	5667	198.8
Volga Valley Economic Region	2550	83.4	2650	87.0	3500	117.3	3900	132.0	4763	164.9	5400	189.5
North Caucasus Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ural Economic Region	2150	70.4	2600	85.3	3300	110.6	3950	133.7	4267	147.7	5100	178.9
West Siberia Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	4700	162.7	5150	180.7
Fodder Barley												
Central Economic Region	NA	NA	NA	NA	NA	NA	NA	NA	3550	122.9	4325	151.8
Central Black Earth Economic Region	2950	96.5	2600	85.3	2800	93.9	3100	104.9	3657	126.6	4311	151.3
Volga Valley Economic Region	2950	96.5	2600	85.3	2850	95.5	3100	104.9	3533	122.3	5544	194.5
North Caucasus Economic Region	3250	106.3	3250	106.7	3400	114.0	3450	116.8	3967	137.4	4500	157.9
Ural Economic Region	NA	NA	NA	NA	2400	80.5	2950	99.8	3600	124.7	4167	146.2
West Siberia Economic Region	NA	NA	NA	NA	NA	NA	NA		NA		NA	
Ruble/USD exchange rate		30.56		30.47		29.83		29.55		28.9		28.5

Source: Interfax: Food and Agriculture Reports, "Unidell" reports

### Bread and Grain Products Prices

Due to administrative measures, including the distribution of grain purchased from the state intervention fund, the average price of rye and wheat bread increased only slightly in February, by 3.5 and 3 percent from January's level in spite of a sharp, over six percent increase in the price of wheat flour. However, the price of groats continued to decrease. Cereals made from groats constitute a big portion of the Russian diet, especially for people with low incomes, and this has helped keep the price of low quality bread from increasing more. At the same time, prices of pasta products in February increased at a higher pace than in January and December, 2003.

Post forecasts a further increase in bread prices in March and April, but at a slow, "controlled" pace. According to the latest official estimates, stocks of grain available for bread production were 18mmt in March which is enough for nearly six months of food grain consumption, or until the new harvest is well underway. Post believes this amount includes some class four wheat, which can be milled into flour. Regional prices are shown in the Table 3. Differences in prices from region to region reflect the level and intensiveness of administrative control over prices (in the wheat-rye and wheat bread segments).

**Table 2. Russia's Average Flour, Bread, Cereals and Pasta Prices, Rubles per 1 kg**

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet (groats)	Pasta (vermishel)
February 2000	7.56	6.65	8.08	14.79	6.50	14.88
February 2001	8.22	8.07	9.44	12.92	7.11	15.66
February 2002	8.40	8.79	10.27	14.03	7.21	17.03
January 2003	7.94	9.22	10.71	15.73	10.00	17.03
February 2003	7.96	9.32	10.79	15.84	10.64	17.13
March 2003	7.99	9.38	10.84	15.88	11.61	17.19
April 2003	8.04	9.52	10.99	15.86	12.60	17.27
May 2003	8.22	9.77	11.30	15.81	13.61	17.39
June 2003	8.84	10.26	11.92	15.81	14.54	17.60
July 2003	9.35	10.47	12.21	15.83	15.85	17.89
August 2003	9.57	10.59	12.36	15.84	17.18	18.10
September 2003	9.82	10.93	12.80	15.89	18.14	18.27
October 2003	10.65	11.58	13.53	15.96	18.14	18.47
November 2003	11.11	11.86	13.84	16.12	17.42	19.18
December 2003	11.40	12.07	14.05	16.30	16.76	19.43
January 2004	11.79	12.76	14.79	16.55	16.23	19.83
February 2004	12.57	13.21	15.23	16.99	15.61	20.44
Feb. 03 to Feb. 04, percentage change	57.91	41.74	41.15	7.26	46.71	19.32
Jan. 04 to Feb. 04, percentage change	6.62	3.53	2.97	2.66	-3.82	3.08
Dec. 03 to Jan. 04, percentage change	3.42	5.72	5.27	1.53	-3.16	2.06
Nov. 03 to Dec. 03, percentage change	2.61	1.77	1.52	1.12	-3.79	1.30
Oct. 03 to Nov. 03 percentage change	4.32	2.42	2.29	1.00	-3.97	3.84
Sep. 03 to Oct. 03, percentage change	8.45	5.95	5.70	0.44	0.00	1.09
Aug. 03 to Sep. 03, percentage change	2.61	3.21	3.56	0.32	5.59	0.94

Source: Torgovaya Gazeta

**Table 3. Consumer Price Changes for Flour, Bread, and Cereals from January 2004 to February 2004, in Percent, by Region**

	Wheat flour	Rye and wheat-rye bread	Bread and bakery products made of wheat flour	Rice	Millet cereal	Pasta (vermishel)
Russia, Average	6,62	3,53	2,97	2,66	-3,82	3,08
Belgorod oblast	6,59	-0,53	0,45	4,89	-9,37	1,09
Bryansk oblast	7,15	6,48	7,70	3,42	-2,85	4,05
Voronezh oblast	11,46	-1,63	1,23	4,62	-13,82	4,71
Kostroma oblast	4,30	4,90	6,15	3,98	-15,61	3,90
Lipetsk oblast	10,10	-2,13	7,63	4,16	-14,03	1,21
Ryazan oblast	1,69	-3,67	-2,34	3,82	-1,37	6,53
Tula oblast	4,85	11,24	13,69	2,95	-4,16	3,74
Moscow, city	1,85	1,92	1,04	0,20	-2,76	1,12
Komi Republic	6,85	1,56	-0,58	2,81	0,00	2,04
Arkhangelsk oblast	2,77	1,14	0,00	4,32	-3,34	2,66
Murmansk oblast	5,62	11,18	7,22	-10,25	-6,57	1,13
Novgorod oblast	4,98	8,44	11,02	6,15	-2,61	5,53
St.Peterburg	7,40	0,49	1,67	1,98	-8,34	12,34
Krasnodarskiy kray	9,28	0,00	0,00	0,70	-3,43	3,86
Stavropolskiy kray	8,42	0,80	5,03	1,52	-3,40	4,96
Astrakhan oblast	2,91	9,79	3,96	2,44	-3,62	0,42
Republic of Tatarstan	2,78	0,11	0,00	3,12	-1,00	2,79
Chuvashiya Republic	8,83	3,19	0,00	4,58	-3,97	5,17
Kirov oblast	3,16	9,45	6,83	4,75	-4,72	3,10
Nizhniy Novgorod oblast	9,41	10,48	8,53	9,02	-3,00	6,58
Perm oblast	4,96	3,89	4,05	5,73	-4,94	2,54
Samara oblast	10,51	1,88	2,81	1,35	-9,56	1,09
Ulyanovsk oblast	6,64	-0,08	0,00	2,69	-2,34	3,99
Sverdlovsk oblast	9,78	13,39	13,95	3,37	-6,50	4,75
Tyumen oblast	6,69	3,02	2,38	0,88	1,94	2,13
Chelyabinsk oblast	13,14	10,20	7,89	2,71	-0,55	2,97
Krasnoyarskiy kray	13,11	3,29	-6,15	1,36	-3,19	2,38
Irkutsk oblast	10,27	1,97	2,39	0,94	-0,89	3,81
Kemerovo oblast	7,97	0,00	0,00	2,84	-2,00	0,06
Novosibirsk oblast	11,45	3,94	0,68	-0,75	-6,06	21,08
Omsk oblast	10,79	2,64	2,89	3,17	-0,37	5,26
Primorskiy kray	5,95	0,42	1,14	2,72	2,23	2,95
Khabarovskiy kray	3,58	4,58	2,02	5,89	-8,98	2,00

Source: Torgovaya Gazeta

## Policy

According to the latest information from the Ministry of Economic Development and Trade, the temporary special export tariff (please see GAIN report RS3054 for more information on this tariff) for wheat, meslin and rye will not be extended after May 1, 2004. This decision is based on recent analyses of the grain situation which revealed that the monthly consumption of food grain in Russia is three mmt and the present food grain reserves ("food grain in the market") are eighteen mmt, more than enough to last until the upcoming harvest.

## Grain Interventions

Grain interventions began on March 18 and will run through May 1 2004. The grain is being sold through exchanges directly to flourmills. As of April 1, 2004 the following amounts of grain were sold: 277,600 metric tons of class three wheat, 529,400 metric tons of class four wheat, and 136,400 metric tons of food quality rye or 59% of the total amount. At the latest session held on March 31, 2004 class three wheat was sold for an average of 4,440 rubles per metric ton, class four wheat sold at an average of 3,913 rubles per metric ton, and rye was sold for an average of 2,840 rubles per metric ton.

The sales are organized by the Central Russian Universal Exchange and the National Commodities Exchange and use the unified electronic trading system of MICEX. Currency-financial exchanges in St. Petersburg, Nizhny Novgorod, Novosibirsk, Samara, Rostov and Yekaterinburg have also been designated as trading floors.

On the eve of the new crop and in the framework of the development of new agricultural law, the industry and some officials proposed two amendments to regulate the grain market. The first is to make interventions an integral part of state policy so a "special" decision of the GOR will not be needed to conduct them and to set the annual reserve at 4-5 mmts. The second proposal is to develop a law on regulation of bread prices. However, this proposal is not supported by the grain industry, but rather reflects general anxiety among top politicians on social stability. However, in the draft act on the regulation of bread prices presented by the Agrarian Committee of the Duma, the actual decision and regulatory measures are assigned to regional authorities. Thus, these authorities, in the case when bread prices increase four percent year to year, or if this price is 1-2 percent higher than the current rate of inflation, bread price could be "curbed" either by local interventions from the local reserves, or by setting the trade margin. Although this idea, in general, received support from the President of the Russian Federation, this Law is not likely to be adopted before the next crop.